

INDEX.

Reply argument :	Page
Point I. Defendant did not secure title in the contract of sale to the trade-marks either (a) in Philippine markets or (b) in foreign markets.....	1
Point II. This court had jurisdiction to issue the certiorari	15
Point III. Receipt of plaintiff of the proceeds of the sale of the Philippine lands and factory, seized and sold by the Alien Property Custodian, does not deprive him of his trade-marks in (a) Philippine markets or (b) foreign markets..	21
Exhibit B.....	26
Authorities :	
Statutes :	
Act of March 2, 1901 (31 Stat., 910).....	18
Act of August 29, 1916 (39 Stat., 554).....	18
Act of October 6, 1917 (40 Stat., 411).....	11, 12, 18
Act of November 4, 1918 (40 Stat., 1020).....	11, 12, 18
Act of March 4, 1923 (42 Stat., 1515).....	11, 12
Act of February 13, 1925 (43 Stat., 940).....	21
Philippine Laws :	
Section 311.....	19, 20
Cases :	
Baglin v. Cusenier Co. (221 U. S., 580).....	3, 16
Behn, Meyer & Co. v. Miller (266 U. S., 457).....	23
Bourjois & Co. v. Katzel (260 U. S., 689).....	6, 10, 24
Chartreuse Cases (221 U. S., 580; 1910 A. C., 362)...	2, 5, 10, 24, 26
Hanover Milling Co. v. Metcalf (240 U. S., 403).....	7, 10
Hicks v. Anchor Packing Co. (C. C. A., 3d Circuit, December 21, 1926).....	11, 13, 24
Hilton v. Guyot (159 U. S., 95).....	19
Hunyadi Janos Corp. v. Stoeger (5 Fed., 2d, 506)....	24
Jacobs v. Beecham (221 U. S., 263).....	16
Koppel Co. v. Orenstein Co. (289 Fed., 446).....	24
Ritchie v. McMullen (159 U. S., 230).....	19
Standard Paint Co. v. Trinidad Co. (220 U. S., 446)...	16
United States v. Chemical Foundation, Inc. (U. S. C. C., October 11, 1926).....	13, 14, 17
United Drug Co v. Rectanus (248 U. S., 90).....	7, 8, 10
Warner v. Searle & Hereth Co. (191 U. S., 195).....	16
Miscellaneous :	
Senate Document No. 182, 69th Congress, 2d Session...	13

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1926.

No. 174.

CARL INGENOHL, PETITIONER,

vs.

WALTER E. OLSEN & COMPANY, INC.,
RESPONDENT.

REPLY BRIEF FOR PETITIONER.

Errors in Respondent's Statement of Facts.

I.

Defendant Did Not Secure Title in the Contract of Sale to the Trade-Marks Either (a) in Philippine Markets, or (b) in Foreign Markets.

The reasoning of the majority opinion of the court below was that defendant acquired title to the trade-marks throughout the world as an appurtenance to the branch factory and lands in

Manila, which the Alien Property Custodian seized and sold to him, and that the Hongkong court made a clear mistake of law in following the House of Lords in the *Chartreuse* cases, followed by this Court in the American *Chartreuse* case.

The judgments of both this Court and of the House of Lords in the *Chartreuse* cases (1910 A. C., 362; 221 U. S., 580) are in accord. They turned on the inability of the French liquidator in seizing the physical assets and good will of the monks in *France*, where their famous liquors were manufactured, to seize "*the reputation which they had acquired in foreign markets.*"

The suggestion that the *Chartreuse* cases turned upon a secret process and are therefore distinguishable from an ordinary trade-mark case, is without foundation. *To show this we have printed in an appendix to this brief (Post, p. 26), for the convenience of this Court the entire report in the House of Lords of the case.* The syllabus of the case, presumably prepared with the approval of the court, in itself clearly indicates that the decision turned upon the lack of power of the French Government, or its representative, to determine the conditions under which a commodity could be sold in England and, incidentally, the use of trade-marks in that country.

That syllabus reads as follows:

"Where a foreign manufacture has acquired a reputation in England it is beyond the power of a foreign court or foreign legis-

lature to prevent the manufacturers from availing themselves in England of the benefit of that reputation or to extend or communicate the benefit to any rival or competitor in the English market."

It will be noted that no reference is made to any secret process in this summary of the court's decision.

This is equally true of the American Chartreuse case (*Baglin vs. Cusenier Company*, 221 U. S., p. 580). The syllabi are too lengthy to quote, but they nowhere suggest that the decision was predicated on a secret process. The point of the decision in the American case, as in the English case, was the inability of France to give to its liquidator any *extraterritorial power*.

The substance of the American decision is thus set forth in the syllabus:

"The law of a foreign country has no extraterritorial effect to detach a trademark validly registered in this country (the United States) from the product to which it is attached."

In other words, it was held in both cases that the trade-marks, which had been owned and registered by the monks in England and the United States, remained their property, even though the French Government had sold the factory of the monks, *with its good will and trade-marks*. It should be remembered that in those cases the *entire*

marketed under the same trade-marks, with notation on the label as to the factory in which the particular cigars were manufactured. He had registered these trade-marks in Belgium and Hong-kong.

Can it be seriously argued since the *Chartreuse* cases that the seizure of the branch factory in the Philippine Islands operated to divest plaintiff of his exclusive right to his trade-marks in foreign markets, especially when the courts of such foreign nations recognized plaintiff's right to such foreign trade-marks?

These decisions clearly hold that the sale of the Philippine branch property to defendant did not carry with it as an appurtenance *the foreign rights* to the trade-marks used on the output of the Hong-kong factory, or in connection with the home office at Antwerp, which was not seized and sold, and *could* not be seized or sold, by the American Alien Property Custodian. The exclusive right to use a trade-mark may exist in one person in one country and in another person in some other country. *Bourjois & Company v. Katzel* (260 U. S., 689) is an example. There the originating French Company sold its American business and rights to the trade-mark "Java" and "Bourjois," registered in the United States Patent Office, to an American company, while retaining its business and trade-marks in France. It was held that the American purchaser was entitled to the exclusive use of the trade-marks in America, the court saying:

“After the sale the French manufacturers could not have come to the United States and have used their trade-marks in competition with plaintiff. * * * It is said that the trade-mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade-mark of the plaintiff only in the United States, and indicates in law, and it is found by public understanding that the goods came from the plaintiff, although not made by it.”

In fact, a property right in a trade-mark may exist in two different persons in two different sections of the same country. *Hanover Milling Company v. Metcalf* (240 U. S., 403), *United Drug Company v. Rectanus* (248 U. S., 90). In the *Hanover case*, the Hanover Company, an Illinois corporation, had manufactured a grade of flour for which it had created markets in Alabama and certain other States, under the trade-mark “Tea Rose.” The Steelville Milling Company, also an Illinois corporation, had begun to manufacture flour and market it in Alabama under the trade-mark “Tea Rose.” The Hanover Company sought and obtained an injunction preventing the use of the “Tea Rose” trade-mark in Alabama on flour not of its manufacture. There was also involved in that case the claim of Allan & Wheeler Company, an Ohio corporation, which manufactured and marketed flour in markets north of the Ohio River under the trade-mark “Tea Rose,” and it

had sought an injunction against the Hanover Company to prevent said company from manufacturing and selling flour in Alabama markets under the trade-mark "Tea Rose." The court denied this injunction.

Mr. Justice Holmes, in a concurring opinion, stated that he agreed in the main with the reasoning of the court, so far as it went, but added:

"It never should be forgotten, and in this case it is important to remember, that when a trade-mark started in one state is recognized in another, *it is by the authority of a sovereignty that gives its sanction to the right.* The new sovereignty is not a passive figurehead. It creates the right within its jurisdiction, and what it creates it may condition, as by requiring the mark to be recorded, or it may deny."

This concurring opinion was later followed by this Court in the *United Drug Company case*, which sustained the exclusive right of Rectanus to his trade-mark in the Louisville markets, while the similar United Drug Company trade-mark had been first adopted and registered in the Patent Office and used in other markets.

There is thus no reason, either upon principle or authority, why the exclusive right to use these three trade-marks should not exist in plaintiff in Hongkong markets, where they were registered and had been long used by him on his cigars, and the exclusive right to use them in the Philippine

Islands—if properly seized—might not exist in defendant.

In this day of world-wide trade-marks, it is not unusual that the right to a given trade-mark may be in different parties in different countries. For example, one of the most valuable trade-marks is "His Master's Voice." The American rights are owned by the Victor Talking Machine Company of Camden. The European rights are owned by the Gramophone Company of England. The latter company had, before the great war, factories in Germany. These with the famous trade-mark were seized by the German Government and sold to German citizens. The result is that the German vendee has in Germany the exclusive license to the trade-mark, but it has never been suggested that he could use this license of the trade-mark to the exclusion of either the Victor Talking Machine Company or the Gramophone Company in other countries. Since the cessation of hostilities, the Gramophone Company has marketed its records in Germany, but under a different trade-mark.

Thus, the right of Germany to control the trade-mark within its political jurisdiction is recognized, but without in any way impinging upon the equal right of all other countries as a question of domestic polity to authorize the use of the same trade-mark in their respective jurisdictions. As the basis of the trade-mark law is the attempt to protect the consumer from deception, it must be a

matter in each country of its own municipal law and domestic policy.

Assuming, therefore, that the United States Government, in seizing a branch of Ingenohl's Belgian business, could confer a right to the use of Ingenohl's trade-marks in the political jurisdiction of the United States, it could not insist that such a sale conferred any right upon the vendee to interfere with trade-marks which had been registered by Ingenohl in other countries in which he was doing business.

All this was abundantly demonstrated in the *Chartreuse cases* and the wonder is that the Supreme Court of the Philippine Islands should have ignored so plain and necessary a doctrine, designed to prevent a conflict of laws, and that it should have regarded the decision of the Hongkong court, which was based upon the doctrine of the *Chartreuse cases*, as a "clear mistake of law."

The Trading with the Enemy Act had no extraterritorial operation. It did not and could not authorize the Alien Property Custodian to reach into Belgium and seize plaintiff's main office in Antwerp, nor seize his branch office in Hongkong, and the Custodian did not attempt to seize either of these offices. How can it be argued, in the face of the *Chartreuse*, *Hanover*, *Rectanus*, and *Bourjois cases*, that the foreign rights of plaintiff to these trade-marks in those countries passed to defendant as an appurtenance to the seized branch business in Manila, and that the Hongkong Court

committed a clear mistake of law and fact in not so holding? (Main Brief, pp. 30-36.)

Defendant did not acquire title to these trade-marks even in the Philippine markets (Main Brief, pp. 16-24). The Trading with the Enemy Act of October 6, 1917, and its amendment of November 4, 1918 (quoted in our main Brief, pp. 17, 18), superseded, during the war, the ordinary law of trade-marks. The Circuit Court of Appeals for the Third Circuit, in a decision dated December 21, 1926, in *Hicks, Alien Property Custodian, v. Anchor Packing Company*, in answer to a contention that a trade-mark could not exist during the war separate from a business, said that:

“War, and war legislation, superseded certain phases of the ordinary law of trade-marks and substituted the sovereign in their place. * * * The business of the Anchor Company, however appurtenant to the trade-mark before the war, did not during the war draw the trade-mark to it and thereby divest the ordinary owner of its title or limit the war power of the United State either to license or seize it.”

If further support of this contention be required, it is found in the amendment of March 4, 1923 (42 Stat., 1515), to the Trading with the Enemy Act, as follows:

“The Alien Property Custodian is authorized and directed to return to the person entitled thereto, whether or not an enemy or ally of enemy, and regardless of

the value, any patent, trade-mark, print, label, copyright, or right therein or claim thereto, which has been conveyed, transferred, assigned, or delivered to the Alien Property Custodian, or seized by him, and which (1) has not been sold, licensed, or otherwise disposed of under the provisions of this Act, and (2) is not involved (at the time this subsection takes effect) in litigation in which the United States, or any agency thereof, is a party."

This amendment is doubly significant when it is considered that with certain minor exceptions the Trading with the Enemy Act provided, and now provides, for the retention by the United States, until Congress shall otherwise direct, of other alien enemy property. The physical property of alien enemies was originally seized without seizing the trade-marks. The amendment of November 4, 1918, authorized the seizure in a particular manner of the trade-marks, and later, the amendment of March 4, 1923, authorized the return of certain of the trade-marks, while requiring the retention of the physical property. Can it be reasonably contended that during the period of the war trade-marks passed to the Alien Property Custodian as an appurtenance to the physical property seized by him and that they passed from him to a purchaser of the physical property as an appurtenance to said property?

A symbolical act of seizure of the trade-marks separate from the act of seizure of the physical

property was necessary, and this could be effected only by filing the requirement or order of seizure in the United States Patent Office, where such trade-marks were registered. The filing of such a requirement was not mandatory and it did not create a trade-mark, nor act as a registration of a trade-mark created by the Alien Property Custodian. As characterized in *Hicks v. Anchor Packing Company, supra*, such a filing of the "requirement" or order of seizure was a "symbolical act of capture" and was necessary under the amendment of November 4, 1918, to the Trading with the Enemy Act to transfer title to the trade-marks from an alien enemy owner to the Alien Property Custodian.

This Court held in its opinion, dated October 11, 1926, in *United States v. Chemical Foundation, Inc.*:

"The Trading with the Enemy Act is a war measure covering specifically, fully and exclusively the seizure and disposition of enemy properties."

It follows that a seizure, a "symbolic act of capture" of trade-marks, not made in accordance with the terms of the Trading with the Enemy Act, conferred no rights on the Alien Property Custodian to the trade-marks. He could not convey that to which he had no right. The trade-marks in question are not the only ones which the Alien Property Custodian did not seize. Senate Document No. 182, 69th Congress, 2d Session, is a message of

the President transmitting, in response to a Senate resolution, a copy of an investigation made at his request by the Comptroller General of the United States of the administration of the Alien Property Custodian's office. At page 88 thereof, it is reported:

“In many instances patents, trade-marks and copyrights are listed in the reports, but were not seized, the general reason therefor being that ownership was not vested in enemy aliens, or that ownership could not be established from available information and, in some cases, because they were considered of no value.”

Learned counsel for defendant misapprehend our contention in this respect. We have not argued, and do not argue, that a filing of an order of seizure in the United States Patent Office was necessary to create a trade-mark or to register a trade-mark. It was necessary as a symbolical act of capture of a trade-mark and, as held in the *Chemical Foundation case*, it was necessary to give the Alien Property Custodian any rights in the trade-marks, for the Trading with the Enemy Act, as amended, “specifically, fully and exclusively” covered the “seizure and disposition of enemy properties.” The Alien Property Custodian could not have required plaintiff to convey his trade-marks to him, as suggested by defendant (p. 9), for two reasons: (1) The Trading with the Enemy Act did not authorize such a “symbolical act of

capture," and (2) plaintiff was in Belgium and not within the jurisdiction of the Alien Property Custodian. Furthermore, the record does not show that plaintiff made such a transfer and, in fact, none was made.

II.

This Court Had Jurisdiction to Issue the Certiorari.

We discussed this question briefly in our main brief, for it did not seem that the jurisdiction of this Court could be seriously questioned. Presumably this Court duly considered the objections to such jurisdiction in respondents' brief in opposition to the application for the certiorari, and found them without merit. As counsel have again raised the question—possibly in despair of a better issue—a brief reply may be useful.

The jurisdiction of this Court is not only based upon the fact that its disposition requires the true interpretation of statutes of the United States, but also because the basic question, as raised by the joinder of issue on the counterclaim, was the true ownership of the trade-marks. The defendant's counterclaim averred that the value of these trade-marks in the markets of the Far East alone was at least \$500,000. Indeed, their present contention is that the larger part of the price they paid for the Manila factory was for the exclusive use of the trade-marks.

Assuming that the Alien Property Custodian by his deed of sale intended to convey to the vendee

an exclusive use of the trade-marks in all parts of the world, the following questions necessarily arose:

1. Whether he, under his purely statutory powers, could either seize or sell the right to the trade-marks outside of the jurisdiction of the United States. This necessarily involved a true interpretation of the American law of trade-marks and the Federal statutes thereunder. In the *Chartreuse* cases (*Baglin v. Cusenier Co.*, 221 U. S., 597), a similar objection was made to the court's jurisdiction and this Court sustained jurisdiction because of "an assertion by the bill of a right under Federal statute by virtue of the registration of the trade-mark," citing *Warner v. Searle & Hereth Co.*, (191 U. S., 195); *Standard Paint Co. v. Trinidad Asphalt Co.*, (220 U. S., 446), and *Jacobs v. Beecham*, (221 U. S., 263).

2. This instant case not only involved that question, but more specifically the authority, if any, conferred by the Trading with the Enemy Act on the Alien Property Custodian. The court below recognized this by saying:

"The legal force and effect of plaintiff's contention is to claim and assert that the United States did not seize or take over the most valuable part of his assets and those of the company within its jurisdiction, and that it did not sell it to the defendant" (R., 376).

Unquestionably, the Trading with the Enemy Act is more involved in this case than it was in *United States v. Chemical Foundation, Inc.*, decided by this Court on October 11, 1926. It was conceded in the latter case that the trade-marks, patents, etc., which the Alien Property Custodian conveyed to Chemical Foundation, Inc., had been properly seized, while we deny that such seizure was made in this case (a) as to the Philippine markets and (b) as to markets in China and other foreign countries, and this for the reason that no "requirement," or order of seizure, was filed in the United States Patent Office, as provided in the Trading with the Enemy Act (Main Brief, pp. 16-24). Irrespective of the failure to seize the trade-marks, the Alien Property Custodian had no authority, under the Trading with the Enemy Act or otherwise, to seize and convey plaintiff's trademark rights in foreign markets.

The court below concluded the Hongkong judgment to be a "clear mistake of law and fact," and stated:

"We hold that the trade-marks and trade-names in question were a part of the company's business in the Philippine Islands and that the defendant acquired title to the use and enjoyment of them by its deed of conveyance, *not only in the Philippine Islands, but in all foreign countries*, in the same manner and to the same extent that they were used by the company and Inge-nohl prior to the time that their property

was seized by the United States. That the right and title to all such trade-marks and to their use passed by the conveyance made to the defendant" (R., 372, 373).

Plaintiff contends that under the original Trading with the Enemy Act of October 6, 1917, trade-marks could not be seized by the Alien Property Custodian, even though he may have seized the physical property on whose product the marks were used. It required the amendment of November 4, 1918, to Section 7 (c) of the Trading with the Enemy Act to authorize a seizure of trade-marks and then only by filing a "requirement," or order of seizure, in the United States Patent Office. Thus, the true construction of the pertinent Trading with the Enemy Statutes and the power of the Custodian thereunder are necessarily involved and this consideration in itself sustains the jurisdiction of this Court.

3. The Organic Act of August 29, 1916 (39 Stat., 554), is involved. Section 311 of the Code was void *ab initio*, as in excess of the authority delegated by President McKinley in his letter of instructions dated April 7, 1900, to the Philippine Commission and it did not become valid *ex post facto* through approval by Congress in the Spooner Amendment of March 2, 1901 (31 Stat., 910), or any subsequent statute, including the Organic Act of August 29, 1916.

The Philippine Islands, under the Philippine Commission, did not occupy the same relation to

the United States as do the State governments. They are a colonial dependency of the United States and do not have the degree of independence of legislation as have the legislatures of the several States.

A statute of the United States is thus involved, because the legislative authority delegated to the Philippine Commission for certain local governmental purposes has been exceeded by the enactment of paragraph 2 of Section 311 of the Code, purporting to declare a judicial policy contrary to that of the United States since the foundation of the Government and a policy, which, if allowed to continue, may subject the decisions of this and all other courts in the United States to the retaliatory action of foreign courts, if their judgments are disregarded by the Philippine courts (Main Brief, pp. 37-42).

When Section 311 of the Philippine Code was enacted, the Philippine Commission was functioning as an agent of the President, to which he had delegated certain of his powers as Commander-in-Chief of the Army and Navy to administer captured territory until Congress had provided for its disposition or government. This Court had therefore held in *Hilton v. Guyot* (159 U. S., 95), and *Ritchie v. McMullen*, *id.*, 230, that a Federal court could not impeach a foreign judgment, except for fraud or collusion, and we believe that the President never intended to provide by regulation for such impeachment for other causes, even in the

administration of captured territory, or territory ceded to the United States. If so, he could not delegate greater power to the Philippine Commission to make regulations than he himself possessed. In any event, both the power and the intention to exercise such power are involved in this case, should it become necessary for this Court to decide whether Section 311 of the Code is valid.

4. Even more broadly the Constitution of the United States is involved in the respondent's claim that the Trading with the Enemy Statutes conferred an extraterritorial sovereignty to determine the use of trade-marks in other countries.

The question as to the validity of §311 under the organic law of the Philippine Islands is not a mere afterthought. It was raised in the minority opinion in the court below, which said (R., 418):

"It may well be doubted if the Government of the United States ever intended that the Philippine Commission, acting under war powers, should enact legislation at variance with the foreign policies and relations of the United States. It is questionable if it is not beyond the power of the local legislature to provide peculiar legislation so entirely out of harmony with international comity. If forced to take the stand, we would debate long before holding that this provision in Philippine law is valid and constitutional" (R., 418).

5. The amount in controversy is in excess of \$25,000. The court below concluded upon the issues raised by the claim and counterclaim that defendant was the owner of the trade-marks and entitled to their use throughout the world, as against plaintiff. While the full value of the trade-marks is not clearly shown in the record, defendant alleged in its counterclaim that their value was \$500,000 in markets outside of the Philippine Islands (R., 254). Moreover, a certificate was filed when this certiorari was sought as to the jurisdictional amount.

The value of the trade-marks—the basic issue of the litigation—is far in excess of the statutory amount required to authorize review by certiorari.

Thus all requirements of Sections 7 and 8 of the Act of February 13, 1925, are satisfied, as at least three statutes of the United States, the Constitution and an amount in excess of \$25,000 being involved.

III.

Receipt by Plaintiff of the Proceeds of the Sale of the Philippine Lands and Factory Seized and Sold by the Alien Property Custodian Does Not Deprive Him of His Trade-Marks in (a) Philippine Markets; or (b) Foreign Markets.

Defendant contends that it is conceded “that the seizure was validly made of all the property described in the deed of transfer” (p. 4). That a seizure was made of a factory in the Philippines

is true but the power of the Alien Property Custodian to sell the trade-marks was and is disputed, and no concession was ever made on this point. The record is not as clear as it might have been with respect to plaintiff's denial of the seizure and sale of his trade-mark rights *in the Philippine markets*, but there can be no doubt of his continued denial of such seizure and sale with respect to his trade-mark rights in foreign markets. In fact, this controversy arose over such denial with respect to the Hongkong markets, in which his rights were upheld by the Hongkong court (R., 9, 106-128).

The "Agreed Statement" (R., 143-157), with which defendant captions his version of the record facts, does not purport to be a statement of all the facts in the matter. Voluminous documentary and other evidence were introduced in the Manila Court of First Instance, and an examination of the record clearly shows that we have made a fair statement of the essential record facts.

The fact that plaintiff, in March, 1921, accepted the proceeds of the sale of his Philippine business did not have the effect of conveying his trade-mark rights, either in Philippine or foreign markets, to defendant, or of ratifying the contract of sale made by the Alien Property Custodian to defendant. There was nothing else for plaintiff to do but accept the proceeds. He was in Belgium, many thousands of miles away, when his property was seized in November, 1918, after the armistice, and

when it was sold in January, 1919, to defendant. Under the express terms of the Alien Enemy Act, he could not secure return of his property or contest the sale, but not being an alien enemy, he had an enforceable right to the proceeds thereof. *Behn, Meyer & Company v. Miller, Alien Property Custodian* (266 U. S., 457). The enforcement of that right did not result in his deprivation of other rights and in his being further despoiled. To say that the acceptance of the proceeds of the sale concludes the petitioner, begs the question, for such receipt leaves open the question what the Alien Property Custodian intended to sell or could sell.

Defendant's statement and the statement of the court below that the sustaining of plaintiff's contentions would mean the deprivation of defendant of the most valuable part of the plaintiff's business in the Philippine Islands is entitled to no consideration. There is no evidence that the value of the large tracts of land, factories and tobaccos in the Philippine Islands and enumerated in the contract of sale, was not largely in excess of the price paid by plaintiff. Also, defendant was not compelled to buy the property at the price it paid, or at any other price. The transaction was entirely voluntary on its part and the contract of sale disclaimed all responsibility for any representation or guaranty of the property described (R., 39). If it was material, there is no basis in the record for the argument that the trade-marks were the most valuable part of the Philippine business.

Also, the trade-marks on the exported products were the property of plaintiff in Antwerp, in the same manner as the trade-marks in the *Bourjois case* were originally the property of the French company, or the Chartreuse trade-marks were the property of the monks while residents of France and later of Spain, though both marks had been registered in foreign countries. Defendant did not even acquire the rights to the trade-marks in Philippine markets, as the American company acquired the rights in American markets to the trade-marks in the *Bourjois case*. Unlike the *Koppel, Hunyadi*, and *Anchor Packing Company cases*, cited in our Main Brief (pp. 33, 36), the Alien Property Custodian did not seize plaintiff's rights to the trade-marks in the Philippine markets, and, under the *Chartreuse cases*, could not seize such rights in foreign markets and under foreign registrations. When plaintiff was deprived of his Philippine tobacco, lands and factories, he transferred *all* of his cigar-manufacturing business to his Hongkong factory, even as the monks transferred their liquor-manufacturing business from France to Spain.

The suggestion that defendant "paid \$1,500,000 for an exporting business which could not export, a going concern which could not go" (p. 26), and received thus, according to defendant, only the husks of the business (p. 27), does not, if true, justify despoiling plaintiff of his trade-marks. Moreover, it is not true. Defendants can sell

their cigars at will anywhere, but they may not appropriate foreign trade-marks or deceive customers in foreign markets.

The court below was without power, in order to make what it considered a good bargain for defendant, to do that which the Alien Property Custodian did not do—seize the trade-marks—and do what the Alien Property Custodian could not do—seize and sell the foreign rights to the trade-marks. Thus his vendee only bought what the Custodian could lawfully seize and sell,—*nothing more*. To such a case where the property of a friendly alien is forcibly and most harshly seized—the rule of *caveat emptor* has especial application.

Respectfully submitted,

JAMES M. BECK,
O. R. McGUIRE,
Attorneys for Petitioner.

EXHIBIT B.**The English Chartreuse Case.**

LECOUTURIER AND OTHERS, *Appellants*,
and
REY AND OTHERS, *Respondents*.

Where a foreign manufacture has acquired a reputation in England it is beyond the power of a foreign court or foreign legislature to prevent the manufacturers from availing themselves in England of the benefit of that reputation or to extend or communicate the benefit to any rival or competitor in the English market.

Decision of the Court of Appeal, 1908, 2 Ch. 715, affirmed.

*The circumstances of these two appeals are stated in the judgment of Lord Macnaghten.

The Court of Appeal held that the Carthusian monks were entitled (1) to use their old trade-marks in England and to have certain entries expunged from the register of trade-marks in England; and (2) to an injunction restraining the appellants from (*inter alia*) using the word "Chartreuse" in connection with their liqueurs, and from selling their liqueurs in England, without distinguishing their liqueurs from the liqueurs manufactured by the monks. Hence the present appeals.

*The italics are our own.

FEB. 2, 3.

Sir Robert Finlay, K. S., and Upjohn, K. C. (L. B. Sebastian with them), for the appellants.

P. O. Lawrence, K. C. (Younger, K. C., and Sargent with him), for the respondents.

Sir W. S. Robson, A. G., and Austen-Cartmell for the Comptroller of Trade Marks.

Upjohn, K. C., in reply.

The House took time for consideration.

MARCH 18.

LORD MACNAGHTEN: My Lords, your Lordships, I think, are all agreed in holding that the decision of the Court of Appeal in both these cases is perfectly right.

The facts are not in dispute. The principle of law on which the respondents, who were plaintiffs in the action, rely is well settled. It has been recognized and asserted over and over again in this House. There is no feature of novelty about the case, unless one is to be found in the circumstances which led immediately to this litigation.

A religious community of great antiquity, known as the Order of Carthusian Monks, had until lately, its principal seat and its headquarters near the Dauphiné Alps, not far from Grenoble, in the department of Isère in France, at a monastery known as "La Grande Chartreuse." There was the residence of the prior-general of the order, and there was manufactured, according to a secret process, a liqueur of several sorts and colours known all over the world as "Chartreuse." To this trade name and to the insignia by which they designated their manufacture the monks had vindicated their exclusive right in many lawsuits in

England, and they possessed several trade marks on the English register standing in the name of their procurator, Abbé Rey.

In 1901 there was passed in France a law called the Law of Associations, which declared illegal all unlicensed religious associations failing to obtain within a limited period authorization from the State. The monks of La Grande Chartreuse applied for the requisite authorization, but they did not succeed in obtaining it. Thereupon, in due course, the monastery of La Grande Chartreuse, with its dependencies in France, was dissolved. The monks were forcibly expelled from the country, and all their property in France, including their distillery and their French trade marks, was confiscated and sold. The particulars of the sale purported to comprise the commercial business of the monks and "the customers and goodwill attached to the business." But two things that belonged to them—the secret of their manufacturing process and the reputation which their liqueurs had acquired in foreign countries, and notably in England—were incapable of being seized or confiscated. Expelled from France and exiled from their old home, the monks of La Grande Chartreuse carried with them the secret of their manufacture and the power of securing the benefit of the reputation which their skill had gained for them abroad.

After their expulsion from France, the monks of La Grande Chartreuse transferred the headquarters of their order to Lucca, in Italy, but they set up their business in Tarragona, in Spain. There, having made an arrangement with the respondents La Union Agricola for the disposal of their output for a term of years, they began to

make their liqueurs in the old way according to their old and secret process. The secret was jealously guarded, and the manufacture was carried on throughout the whole process by the monks themselves. The liqueurs so made bore the insignia of the Carthusian Order and the old trade marks and labels, the only difference being a note to the effect that the liqueurs were now made at Tarragona.

Then followed a warfare in England waged with varying success. On the one hand were the monks and *La Union Agrícola*, on the other M. Lecouturier, the liquidator appointed by the French Court to wind up the affairs of the dissolved monastery, and with the liquidator were the purchasers from him, calling themselves *La Compagnie Fermière de la Grande Chartreuse*. The monks fought to preserve the remnant of their property which was beyond the reach of French law. The liquidator and the purchasers from him, who were not in possession of the monks' secret, strove to supplant them in the English market by adopting their insignia and representing that they were the proprietors of the "genuine" liqueur, "the old and world-renowned liqueur 'Chartreuse.'"

At the outset the monks were victorious. On the strength of the trade marks, registered in the name of their procurator, they stopped the importation into England of goods bearing their insignia and got up so as to represent or counterfeit their manufacture. Then by a contrivance, which it is difficult to reconcile with the actual truth, the liquidator procured the English trade marks to be transferred to him, on the allegation that he was the assignee of Abbé Rey. This manœuvre

turned the scale in favour of the appellants, and the monks in their turn were prevented from using their old trade marks in England. The monks then brought this suit, and, at the same time, moved to expunge the last entry from the register of trade marks. The Court of Appeal has decided in their favour, and the liquidator and the purchasers from him are now the appellants.

The only plausible ground of appeal urged at the Bar was that under French law and by reason of their purchase from the liquidator the appellants were justified in doing what they have done. To me it seems perfectly plain that it must be beyond the power of any foreign Court or any foreign legislature to prevent the monks from availing themselves in England of the benefit of the reputation which the liqueurs of their manufacture have acquired here or to extend or communicate the benefit of that reputation to any rival or competitor in the English market. But it is certainly satisfactory to learn from the evidence of experts in French law that the Law of Associations is a penal law—a law of police and order—and is not considered to have any extra-territorial effect. It is also satisfactory to find that these legal experts confirm the conclusions which any lawyer would draw from a perusal of the French judgments in evidence in this case, that the sale by the liquidator of the property bought by the appellant company has not carried with it the English trade marks, or established the claim of the appellant company to represent their manufacture as the manufacture of the monks of La Grande Chartreuse, which most certainly it is not.

I think both appeals must be dismissed with costs.

Lords Atkinson and Collins concurred.

Lord SHAW of Dunfermline:

My Lords, the appellant M. Henri Lecouturier, in his statement of defence, sets forth that he "is a French judicial officer, and in all his acts complained of in this action he has acted under the directions of the French Courts having competent jurisdiction, and in accordance with decisions given by them for the purpose of carrying into effect the enactments of the Legislature of the French Republic." He has, it is added, no personal interest in the matter. M. Lecouturier has sold the liqueur business in France with the trade marks in England to the Compagnie Fermière de la Grande Chartreuse, which company joins with him in his defence. The other defendants are his agents in this country.

The plaintiff and respondent Célestin Marius Rey was for many years the procurator of the Carthusian Order of Monks, residing at the monastery of La Grande Chartreuse, near Grenoble in France. Herbault, the other plaintiff and respondent, is the general superior. They sue this action on behalf of themselves and all the other members of the Carthusian Order. That order is a religious society founded in the eleventh century, and it is said to hold, or to have held, property in various countries, including France and England. Part of that property consists of the monastery of La Grande Chartreuse. It is maintained that the order is in possession of a secret process or recipe for the manufacture of the liqueurs called "Chartreuse," and it is not disputed that the business of manufacture has been conducted by the monks in that locality, that a trade of a profitable nature and of large dimensions has been built up in these articles, and that

sales thereof have been conducted for many years past, not in France alone, but in other countries of the world. In some of these countries trade marks for the liqueurs have been obtained. One of these countries is England.

One of the chief points to be settled in this case is as to the effect of a law passed by the Legislature of the French Republic on July 1, 1901, and amended on December 4, 1902. A translation of this with certain brief supplements appears among the papers, as also a translation of decrees of August 16, 1901, by Monsieur Loubet, French Minister of the Interior, made pursuant to articles 18 and 20 of the law of July 1. My Lords, the law and decrees cannot be perused without a consciousness of the importance of the subject-matter with which they deal, touching, as they do, at various points the structure and development of French society, and affecting its law and the property of French subjects in much detail. My Lords, the "comity of nations" is an expression which is familiar but necessarily indefinite. The attempts to fix it down into a set of rules of legal or binding effect, and the discussions which have accompanied such attempts, have been very fruitless. But (bearing in mind that we are dealing in the present case with the relations of French citizens, and a business whose centre was, and whose conduct was mainly, in France) I take it at least that that comity tends towards encouraging the co-operation of civilized communities by giving effect, so far as may be, to the regulation by the Legislature and Courts of the domicile of the parties of the relations and rights of these parties. Such regulations should, upon all suitable occasions, be treated with most favourable re-

gard and with the desire to respect and apply the principles from which, so to speak, the central propositions emanate, so far as these can be accommodated to the practice and requirements of foreign judicatures. Nothing, my Lords, in the slightest degree inconsistent with this appears in the judgments of the Court below, and I proceed further to say that I think it would be, so far as I can see, not acting in accordance with the true meaning and effect of the French Legislature and decrees, but acting contrary to that meaning and effect, to give them the application beyond the territory of the French Republic which is desired in this case.

Throughout all the legislation as to the necessity for associations being sanctioned after application by the Government, as to no religious congregations being formed (article 13) "without an authorization given by a law which will determine the conditions of its working," as to the *ipso facto* dissolution of congregations not so authorized, and as to the sequestration of the effects and the appointment of an administrator and liquidator, and particularly throughout the regulations as to the conduct of the liquidator, the Court to which he is answerable, and the realization and distribution of property ingathered by him, I cannot trace anything, either express or implied, which suggests extra-territorial operation. And beyond the regulation of property within France as part of a scheme for dealing with a question reckoned to be of great social import in that country, I do not discern any intention, either express or implied, by the legislation or decrees to effect the transfer or affect the holding of property in other countries to which the social and political

problems, as French problems, did not extend. In short, and to take the present case as an instance, I do not see anything conferring upon the liquidator of the property of the Carthusian Order a right to strip that order of their possessions in all parts of the world. I do not think that what the French Legislature did can be read in this extreme sense. Whether effect would have been given by foreign Courts to such legislation is therefore a question which does not really arise.

The species of property which the defendants maintain are embraced within that committed to the appellant by his appointment of liquidator of the effects of the Carthusian Order are certain trade marks registered in England. He has produced before the Registrar of Trade Marks the decree of his appointment, and caused an application to be made at the British Patent Office for the entry of his name in the British register of trade marks, as the subsequent proprietor of the trade marks registered there on behalf of the said dissolved congregations (all of which referred to the Grande Chartreuse), and such entry was made on May 2, 1905. It is, of course, admitted that the formality of registration cannot affect the fundamental rights of the parties as they fail to be determined in this action.

The object of the action is to obtain an injunction to restrain the defendants from using the word "Chartreuse" in connection with the sale of liqueurs other than those manufactured by the plaintiffs. The second portion of the injunction is against the ordinary case of passing off the liqueurs manufactured by the defendants as the manufacture of the plaintiffs. The true question is, "Who is entitled to use the term 'Chartreuse'?"

as denominative of a special manufacture of liqueur?"

My Lords, having given much attention to the proof, I am of opinion that a sound judgment thereon has been given by the Court of Appeal. I cannot presume to put my opinion otherwise than in these sentences of the Lord Chief Justice of England, which I respectfully adopt: "I have not the slightest doubt that for a great many years before 1901 the word 'Chartreuse' or 'Grande Chartreuse' had acquired in the English liqueur market the secondary meaning that it was a liqueur manufactured by the monks of the monastery. Whether or not the monastery included the distillery, whether or not it included outlying buildings, and whether the final product put into the bottles was actually bottled at the distillery or at the monastery is, to my mind, absolutely immaterial. It seems to me that what anybody would have understood it to mean would have been liqueur manufactured by the monks of the monastery of La Grande Chartreuse."

That the liqueur was manufactured according to a secret process or recipe I hold to be proved. Whether the secret imparts any virtue to the liqueur, or whether the business and efforts of Lecouturier's assignees, working in the old locality, have succeeded in producing a liqueur as good or better, appears to me to be irrelevant, and on that head I think that the judgment of Lord Herschell in the Yorkshire Relish case (*Birmingham Vinegar Brewing Co. v. Powell* (1)) is entirely applicable. Whether, as Lord Davey in that case said, the two articles are "a wonderful match" does not seem to me to be in point, except in one particular which is not favourable to the appel-

lants. For, my Lords, the nearer you can bring in point of appearance qualities or properties in one article or set of goods of your manufacture to others already protected by a trade mark, the clearer is the duty to avoid representing your goods as those others. Nor do I doubt that the use of the word "Chartreuse" by the appellants would of itself stamp the article which they produced with the reputation which it ought not to possess, namely, that the liqueur was made from the monks' secret recipe.

It is said, however, that these trade marks are the subject of assignment by virtue of the French legislation and Lecouturier's appointment under it. I have already dealt with that from the international point of view, but, my Lords, I desire to add this: in no view of that legislation could it be maintained that it transferred to a liquidator the secrets within the knowledge of the monks who have proceeded to foreign countries, and, particularly in Spain, have put into operation these business secrets, and are manufacturing according to them. In short, the business of Chartreuse liqueur as such is carried on by them; and the English trade marks are therefore trade marks in respect of a thing the business in which is not, and cannot be, conducted by the appellants. The trade marks are in the latter; the business in the monks.

My Lords, such severance is not legally possible. It was not possible before the leading English statute. As Fry, L. J., remarks in *Pinto v. Badman* (1), "It has been laid down by the clearest authority that a trade mark can be assigned when it is transferred together with, to use Lord Cranworth's language, 'the manufactory of the goods in which the mark has been used to be affixed.'"

And s. 70 of the Patents, etc., Act, 1883, provides that "A trade mark, when registered, shall be assigned and transmitted only in connection with the good will of the business concerned in the particular goods or classes of goods for which it has been registered, and shall be determinable with that good will." To maintain that there can be good will in a business the secret whereof is not transferred is, of course, out of the question.

My Lords, it is a significant commentary upon and justification of the view taken above with regard to the French legislation and decrees that it seems to be in complete accord with the decisions come to upon the same topic by French tribunals. The appellant Lecouturier was extremely uncertain as to whether he had any right whatever under the legislation and decrees mentioned to trade marks registered in foreign countries. On December 26, 1905, he presented an application called "A petition for interpretation of decision" of the order of the Court of Appeal of Grenoble of July 19, 1905. Lecouturier states that the judgments and decisions vesting in him the Carthusian property "lack precision, inasmuch as they do not indicate with sufficient clearness that the assets of the liquidation comprise not merely the trade marks registered in France, but likewise the trade marks registered in foreign countries," and he asked the Court "to pronounce and declare, by way of interpretation of its decision," that the latter trade marks were included.

The Court declined to grant the petition, narrating, among other things, that "It is not permissible for judges, under the pretext of interpreting their decisions, to make any modification therein or to add a fresh provision to them." The Court,

“without taking into consideration the demand made by Lecouturier in his said capacity, declares it to be inadmissible,” and condemned him in costs. It is true, my Lords, that that decision left it free to Lecouturier to take such recourse as he might think fit; but in the course of the narrative a most significant commentary is made upon the law of July 1, 1901, by the learned judges. It is in these terms: “The liquidator’s claim to the ownership of the trade marks registered in foreign countries raises the question of whether the law of 1st July, 1901, which is an exceptional and police law, is operative or not outside the territory of the Republic.” It is accordingly clear that, when the English Courts are appealed to on the ground that the law of the Republic referred to operated a transfer of foreign trade marks, that is, done in fact of a judicial declaration by high French authority that the law sought to be enforced abroad was an exceptional and police law. This has no remote bearing upon the general question and confirms, in my opinion, the conclusion arrived at by your Lordships.

I think it right further to add that what appears to me to have been very near to the question raised in this case has also been settled adversely to the defendants in the Courts of France. When the monks migrated to Spain and there set up the business according to their secret recipe, “La Union Agricola Sociedad Anonima” was formed for the purpose of conducting the trade, and the liqueurs manufactured in Spain were sold in bottles bearing the words, “Les pères Chartreux.” On May 18, 1905, the civil tribunal of Grenoble pronounced judgment in a litigation upon this subject. That judgment narrates as follows:

"Whereas by application of the law of 1st July, the Grande Chartreuse mark may, indeed, have remained in the hands of the liquidator of the dissolved and expelled congregation, but the secrets or process of manufacture were carried away by the Chartreuse monks as an unseizable property seeing that non-patented processes remain unknown, and the mark was thus separated from the product whose origin it had, until then, guaranteed. Whereas this special situation resulting from new legislation brings into presence on the one hand the liquidator who sells under the old Grande Chartreuse mark a product which is not manufactured by the Chartreux monks, and on the other hand the Chartreux monks, whose right to manufacture liqueurs according to their processes Lecouturier admits, but whom he wishes to prohibit from using their name to characterize and distinguish the products manufactured by them. * * * Whereas the mark is chiefly valuable through the product which it protects and not in itself without the product, although according to our law contrary to the legislation of other countries the product and the mark are not indissolubly bound together."

The finding of that Court was that the Union Agricola is entitled to use in its label the name "pères Chartreux" in order to designate the manufacturers of the liqueur manufactured at Tarragona, and that it has not committed the misdemeanour of usurpation of name. Nothing, my Lords, could be clearer in the result than that the Tarragona manufacture by the monks and according to the secret is, according to French judicial opinion, not interfered with by the law of July 1, 1901, and that even the products of that manufac-

ture can be sold in France with the name "Les pères Chartreux." The French judges note the fact, which is in accordance with English law, that outside of France the business and the marks should go together. It is accordingly, in conclusion, my Lords, satisfactory to observe that the decision of your Lordships' House, far from being out of harmony with the lines of French procedure, whether judicial or legislative, appears to be in entire accord with its provisions and its limitations.

I agree in thinking that the decision of the Court of Appeal ought to be sustained.

Lord LOREBURN L. C.:

My Lords, I have very few words to add. I agree with the decision of the Court of Appeal. I desire to say that I do not think any reflection rests upon the French judicial officer, Monsieur Henri Lecouturier, who is an appellant in this case, but this property (for property it is) which has come in question in this appeal is properly situated in England, and must therefore be regulated and disposed of in accordance with the law of England. I am glad to think that in so holding we are not affirming anything inconsistent with the decisions of the French Court, to which we, of course, at all times desire to pay the most becoming respect.

Orders of the Court of Appeal affirmed
and appeals dismissed with costs.

Lords' Journals, March 18, 1910.